



**The Governor**

Attached is a presentation to be done by Mr. T. Tarubona at the Public Service Commission 2<sup>nd</sup> Quarter Consultative Workshop in Mutare from 23- 27 June for your consideration and approval.

**Dr. N. Mupunga**

Approved Dr. Mupunga





# **CURRENT MONETARY POLICY OVERVIEW AND PROJECTED OUTLOOK FOR 2025**

**Presentation at Public Service Commission 2<sup>nd</sup> Quarter Consultative Workshop**

**By Reserve Bank of Zimbabwe**

**Mutare**

**23 – 27 June 2025**

*Approved 01/06/25*



## MACROECONOMIC CONTEXT

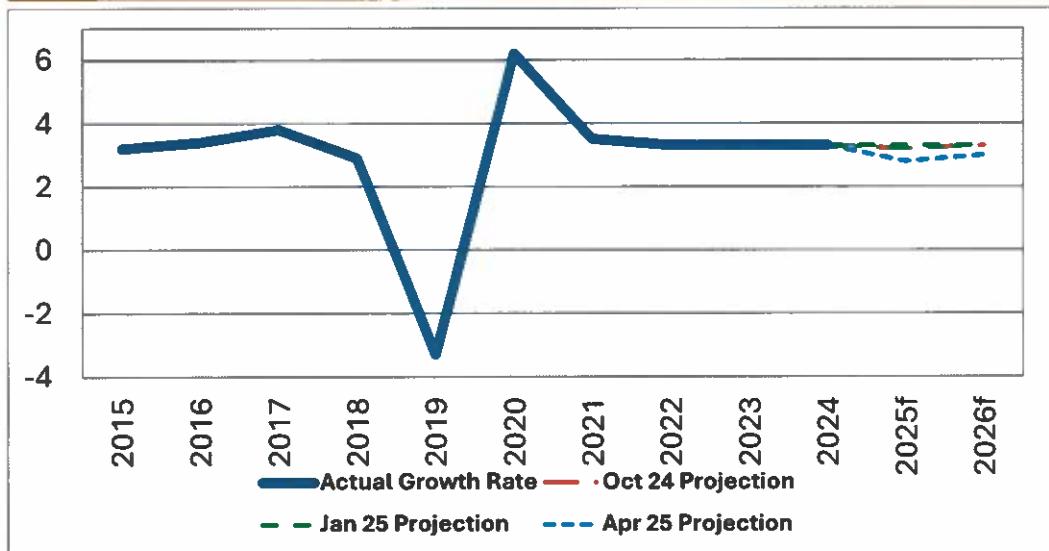
### Global Context

- The global economy is characterised by greater uncertainty due to:
  - Heightened geopolitical tensions
  - Newly imposed trade measures
  - Policy uncertainty
  - Escalating trade wars
- Global conditions are likely to affect the domestic economy through trade and financial linkages, with the negative implications:
  - Lower commodity prices for most minerals except gold
  - Low capital inflows, including official development assistance
  - Continued high global interest rates as central banks have eased the pace of policy rate cuts in their policy decisions.

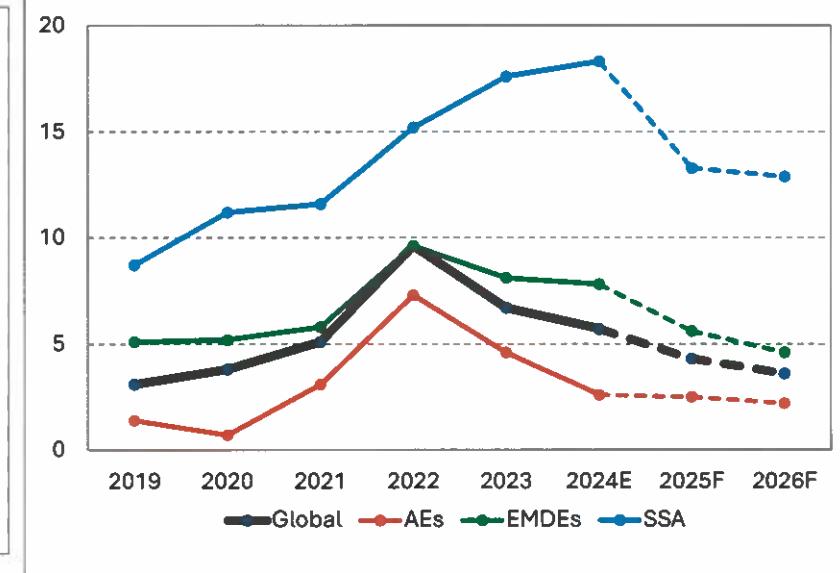


## GLOBAL ENVIRONMENT

Global GDP Growth Projection (annual, percent)



Global Inflation (annual, percent) 2019 – 2026



Source: IMF WEO, April 2025; Reserve Bank of Zimbabwe Compilations

Global economic growth projections have been reviewed downwards in 2025 and 2026 from the original forecast of 3.3% to 3.0% in 2025 and 3.3% to 3.0% in 2026.

- Consistent with a slower growth outlook, headline inflation will decline by 4.3% in 2025 and 3.6% in 2026.
- Inflation is mainly driven by dynamics in the service sector and supply-side shocks emanating from trade wars.

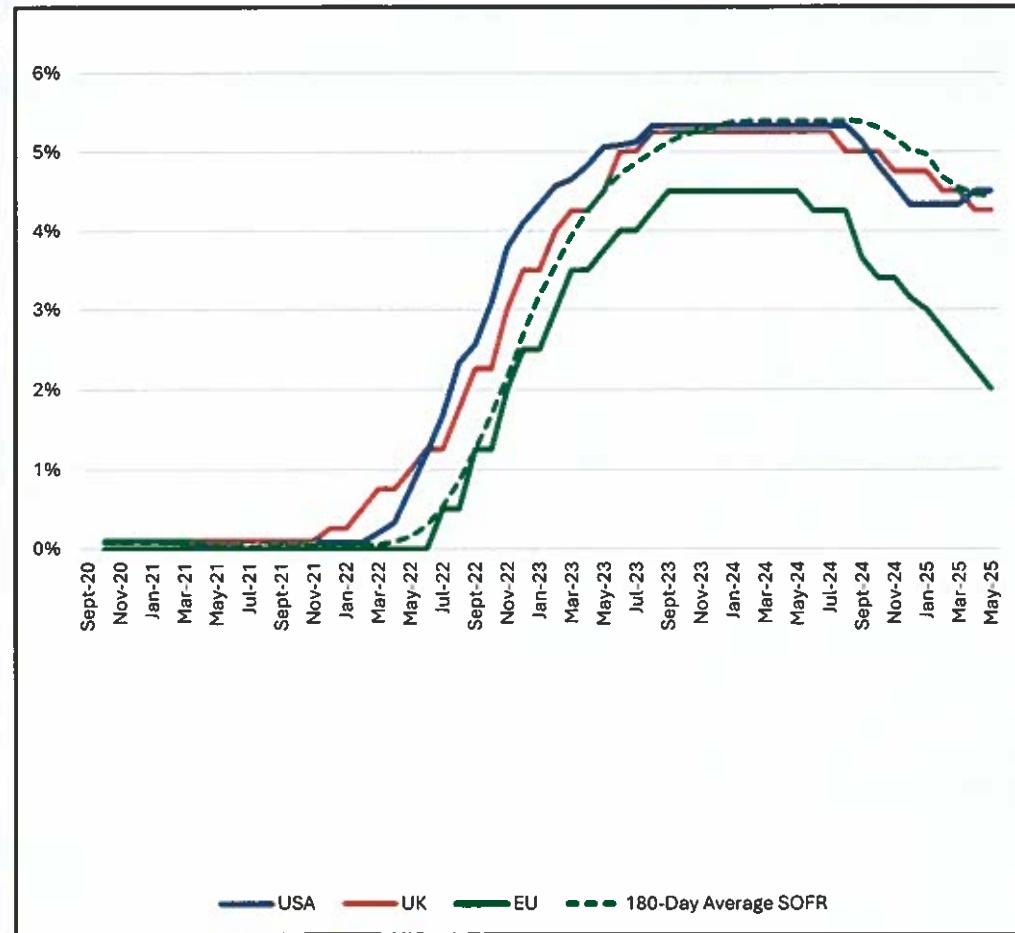


# GLOBAL FINANCIAL CONDITIONS

## Global Policy Rates and Financial Conditions

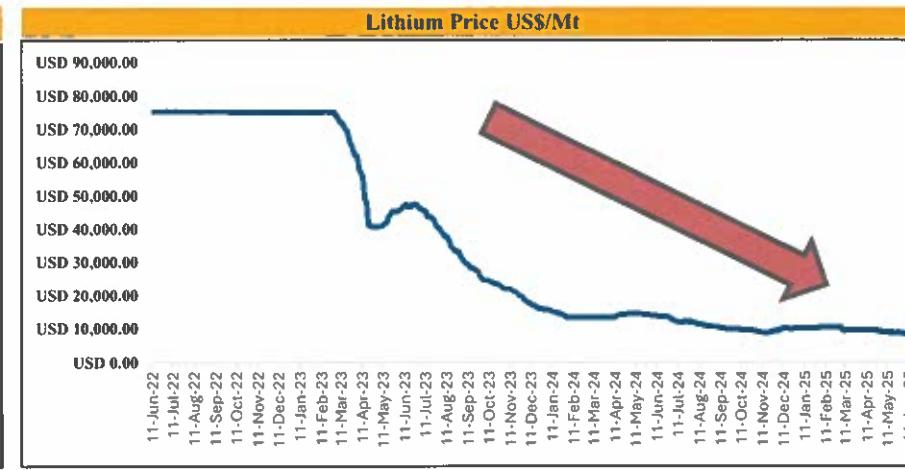
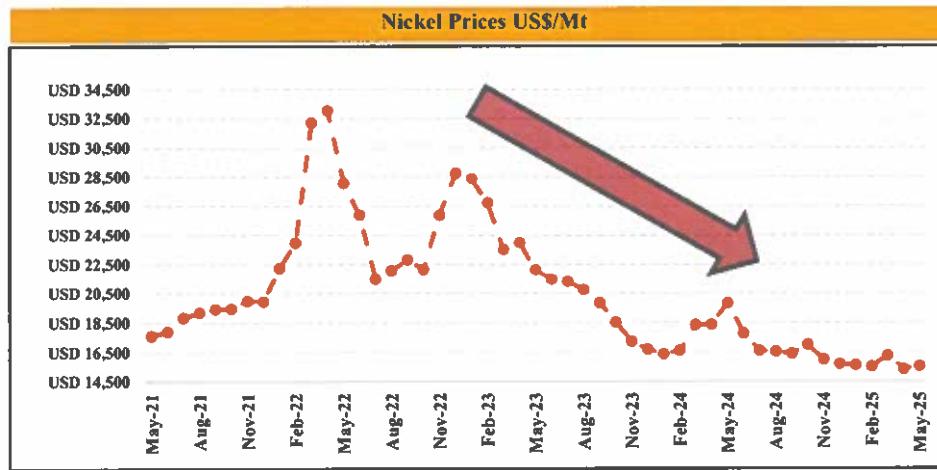
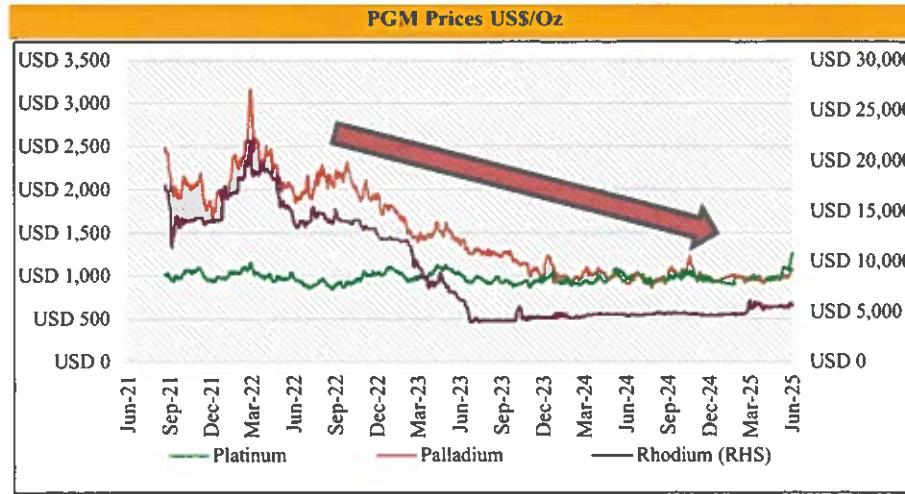
- Global financial conditions tightened significantly from 2022 affecting the cost of credit to developing countries.
- Central banks have eased the pace of policy rate cuts in their policy decisions.
- Currently global financial conditions are easing, but remains relatively tight as advanced economies are taking a gradual and careful approach to reducing interest rates

*Policy Rates for Advanced Economies and Secured Overnight Financing rate (SOFR)*





# INTERNATIONAL COMMODITY PRICES





## MACROECONOMIC CONTEXT - DOMESTIC ECONOMY

- Zimbabwe's economy remains resilient, benefiting from sustained growth in key sectors including agriculture, mining, and manufacturing.
- The economy is projected to grow by 6% in 2025, largely driven by Agriculture (21.1%), Accommodation (7.9%), Construction (3.8%), Mining (2.9%), among other key sectors.
- Electricity is expected to improve slightly in 2025 but remain inadequate to match the increased investments and envisaged production levels.
- Improved macroeconomic stability- price and exchange rate stability.
- Improved foreign currency inflows are critical to sustain economic stability and growth



## MACROECONOMIC CONTEXT - DOMESTIC ECONOMY (cont'd)

- The Reserve Bank of Zimbabwe recognises the important role of monetary policy in fostering macroeconomic stability and creating a conducive environment for investment and sustainable economic growth.
- The Reserve Bank is committed to price and financial system stability to ensure that prices remain stable, notwithstanding pressures and headwinds from the global economy.
  - The heightened global economic and financial uncertainty calls for effective monetary policy
  - Price stability reduces uncertainty and allows long-term investments.
  - Promotes allocative capital efficiency, critical to support long-term growth.
  - It contributes to a more stable financial system – a lubricant for growth.



## MONETARY SITUATION IN ZIMBABWE

- Zimbabwe is currently in a multicurrency regime until 2030.
- The Reserve Bank has been implementing robust monetary policy measures to ensure stability of the local currency, ZiG anchored on the following key imperatives.

**1**

Optimal money supply management.

**2**

Effective coordination of monetary and fiscal policies including Liquidity Management.

**3**

Enhancing monetary policy formulation and implementation

**4**

Financial Stability and Inclusivity

**5**

Supporting a well-functioning inter-bank foreign exchange market.

**6**

Accumulation of foreign Reserves.

**7**

Friendly Capital Flows Management

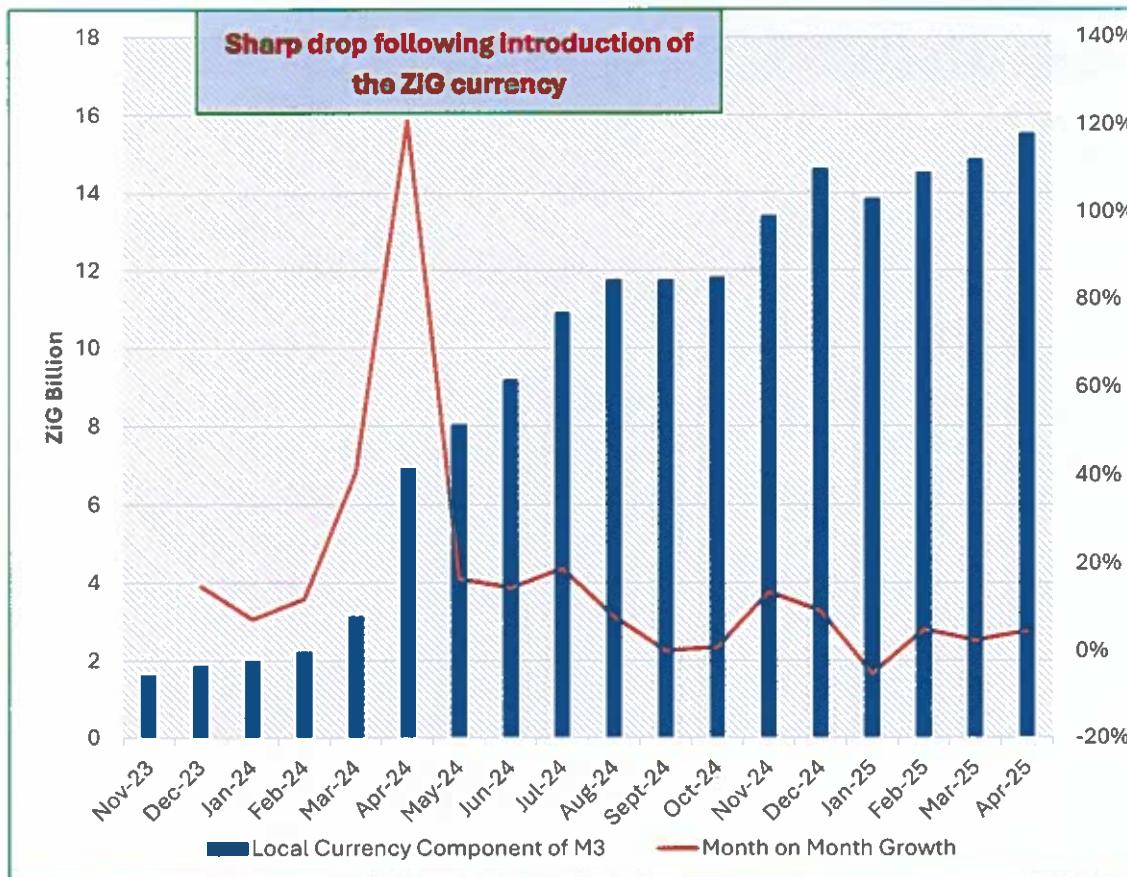


## KEY MACROECONOMIC AND FINANCIAL INDICATORS

	Apr-24	Sep-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
ZiG Month-on-Month Inflation (%)	--	5.78	3.67	10.50	0.46	-0.06	0.64	0.90
Total ZiG Deposits (million)	4,098	11,788	11,958	12,300	13,487	14,220	15,795	16,974
Non-Performing Loans (%)	--	3.19	3.37	--	--	3.34	--	--
Reserve Money Cover (ZiG million)	2,203	9,034	12,164	12,816	13,945	16,871	17,139	17,827
Market Position (ZiG million)	119	339	399	275.48	440.42	364	412	376
Cash and Nostro (USD million)	151	196	192	186	213	296	243	245
Gold Holdings (Kgs)	1,500	1,948	2,626	2,689	2,725	2,779	3,166	3,348
Gold Holdings Value (USD Million)	113	167	220	241	252	275	336	357
Total Reserve Covering ZiG (USD Million)	276	419	472	486	525	630	666	639
Uncovered Foreign Currency Demand	--	11.68	12.27	12.72	11.49	14.84	37.24	16.52
WBWS Exchange Rate	13.43	24.8831	25.7985	26.3656	26.5615	26.7200	26.8158	26.9102



## CURRENCY AND EXCHANGE RATE STABILITY

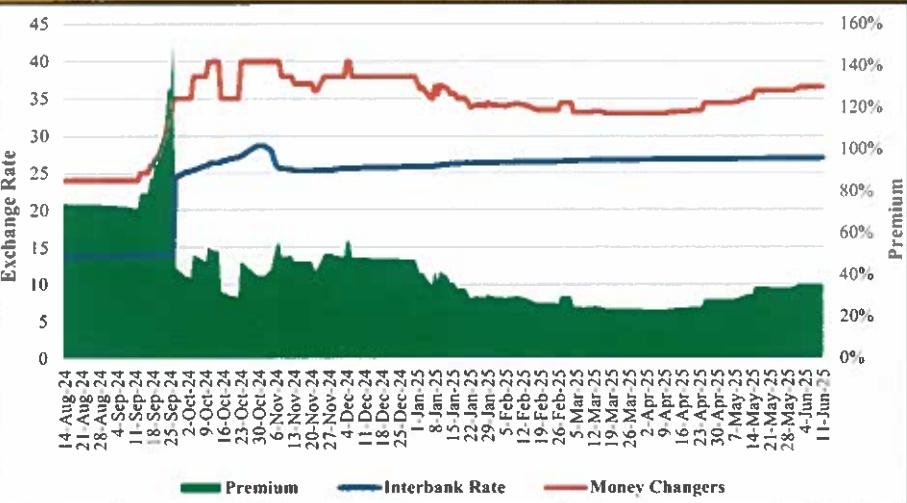


- Monthly growth in the ZiG component of money supply has been stable and contained at low levels.
- Money supply growth is largely consistent with expected inflation and GDP growth.
- As a result, there has been relative exchange rate and inflation stability.

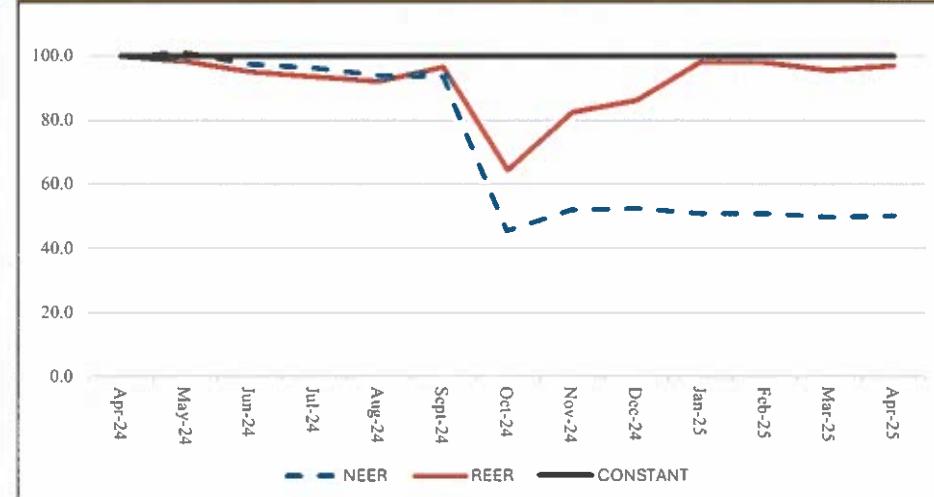


## CURRENCY AND EXCHANGE RATE STABILITY (Cont'd)

Exchange Rate Developments April 2024 to May 2025



REER & NEER Developments April 2024 to April 2025



- The exchange rate has been relatively stable with parallel market premiums contained around 20% since October 2024, with the premium narrowing from over 100% to current levels of around 20%.
- The additional measures to deepen the foreign exchange market announced in the Monetary Policy Statement of 6 February 2025 are expected to further reinforce the ongoing stability on the exchange rate front.

- The Real Effective Exchange Rate (REER) shows that there has not been any significant over/under valuation of the exchange rate.



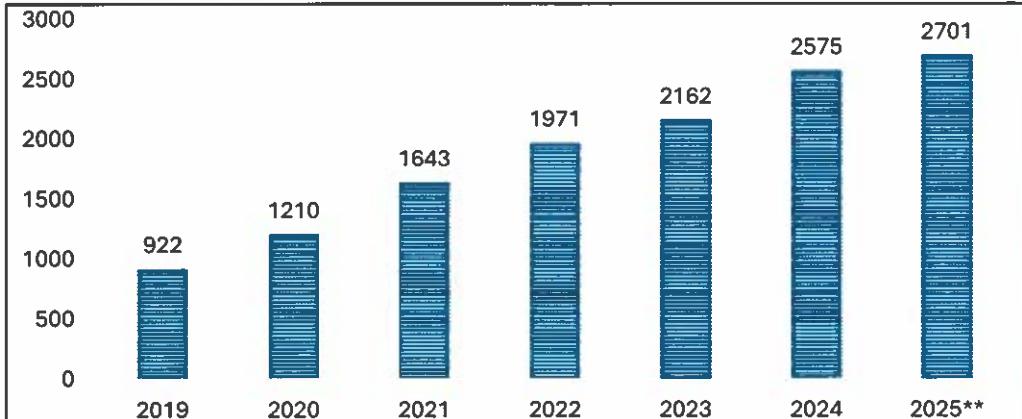
## FOREIGN CURRENCY INFLOWS (2020 - 2025)

	2020	2021	2022	2023	2024	Q1 2025
Export Proceeds	5,263	6,575	7,454	7,603	8,252	1,760
<i>Of which mineral exports</i>	3,654	5,085	5,571	5,439	5,893	1,402
International Remittances	1,650	2,405	2,795	3,011	3,335	822.5
Loan Proceeds (through banks)	845	876	1,021	1,454	1,590	560.0
Income receipts	57	119	145	112	125.1	27.3
Foreign Investments	40	91	185	376	387.1	55
<b>Total Foreign Currency</b>	<b>6,288</b>	<b>9,686</b>	<b>11,566</b>	<b>10,996</b>	<b>13,316</b>	<b>3,225</b>

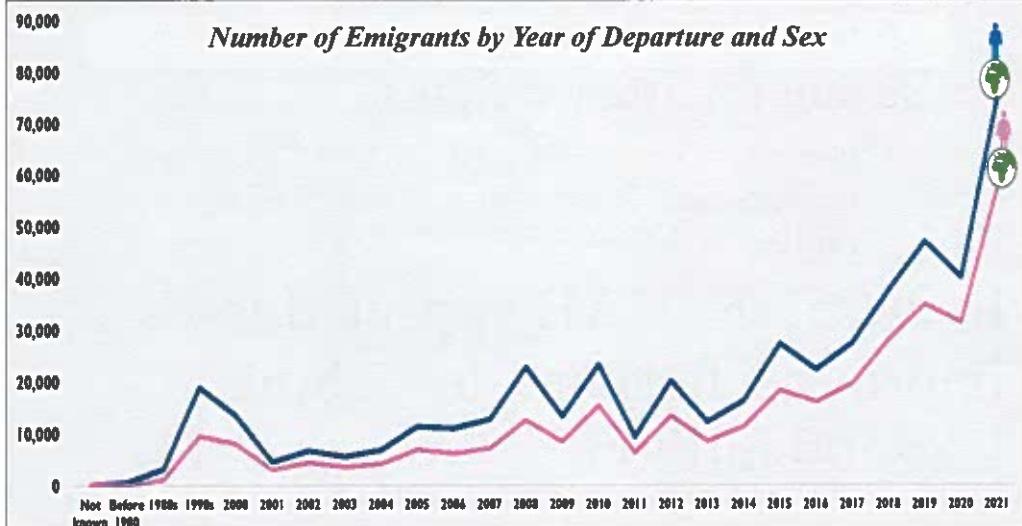
- The mining sector has continued to play a significant role in terms of foreign exchange inflows, contributing 48.2% in 2022; 49.5% in 2023; and 44.3% in 2024 of total foreign exchange inflows.
- The decline in contribution of the mining sector from 2023 to 2024 is a consequence of decline in international commodity prices.
- Mining sector contributed US\$1,402 million in the first quarter 2025, which compares favorably to US\$1,088 million during the same period in 2024.
- International remittance inflows have also shown a consistent upward trend, rising from US\$1,650 million in 2020 to US\$3,335 million in 2024, with US\$822.5 million already received in the first quarter of 2025.



# STRONG GROWTH IN REMITTANCES



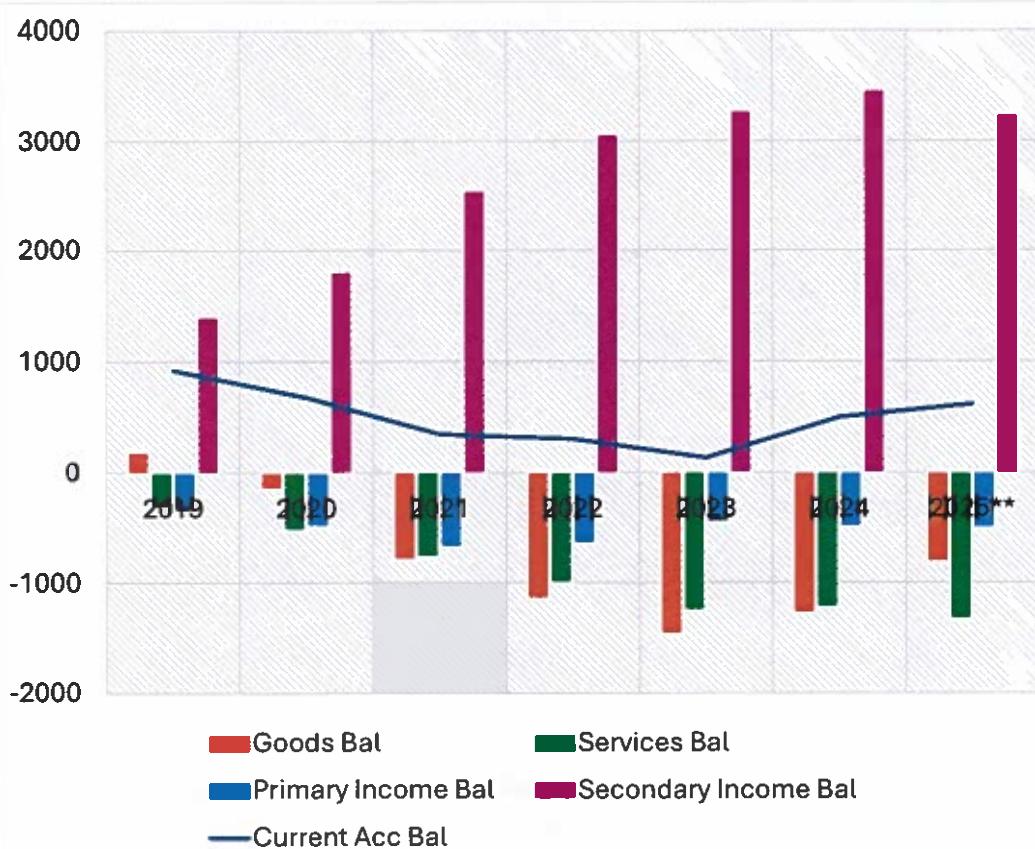
Shares (%)	2021	2022	2023	2024	2025Q1
<b>South Africa</b>	38.3	35.5	32.3	31.2	28.6
<b>UK</b>	24.7	22.3	23.8	24.9	28.4
<b>US</b>	9.7	9.5	10.7	9.8	11.3
<b>Australia</b>	5.3	4.9	5.7	4.8	5.6
<b>Botswana</b>	3.7	2.6	2.1	2.1	2.1
<b>Canada</b>	2.3	2.3	2.2	1.9	2.2
<b>ROW</b>	16.0	22.9	23.3	25.4	21.8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>



- Elevated emigration lately,
  - Huge diaspora (908 907 emigrants; 2022 census)
  - mostly to seek for employment (84%)
- Remittances increased by 19.1% from US\$2.2 billion to US\$2.6 billion
  - Education, health, family upkeep and housing among others
- Remittances expected to remain resilient, growing by about 5% in 2025 consistent with developments in 2025Q1



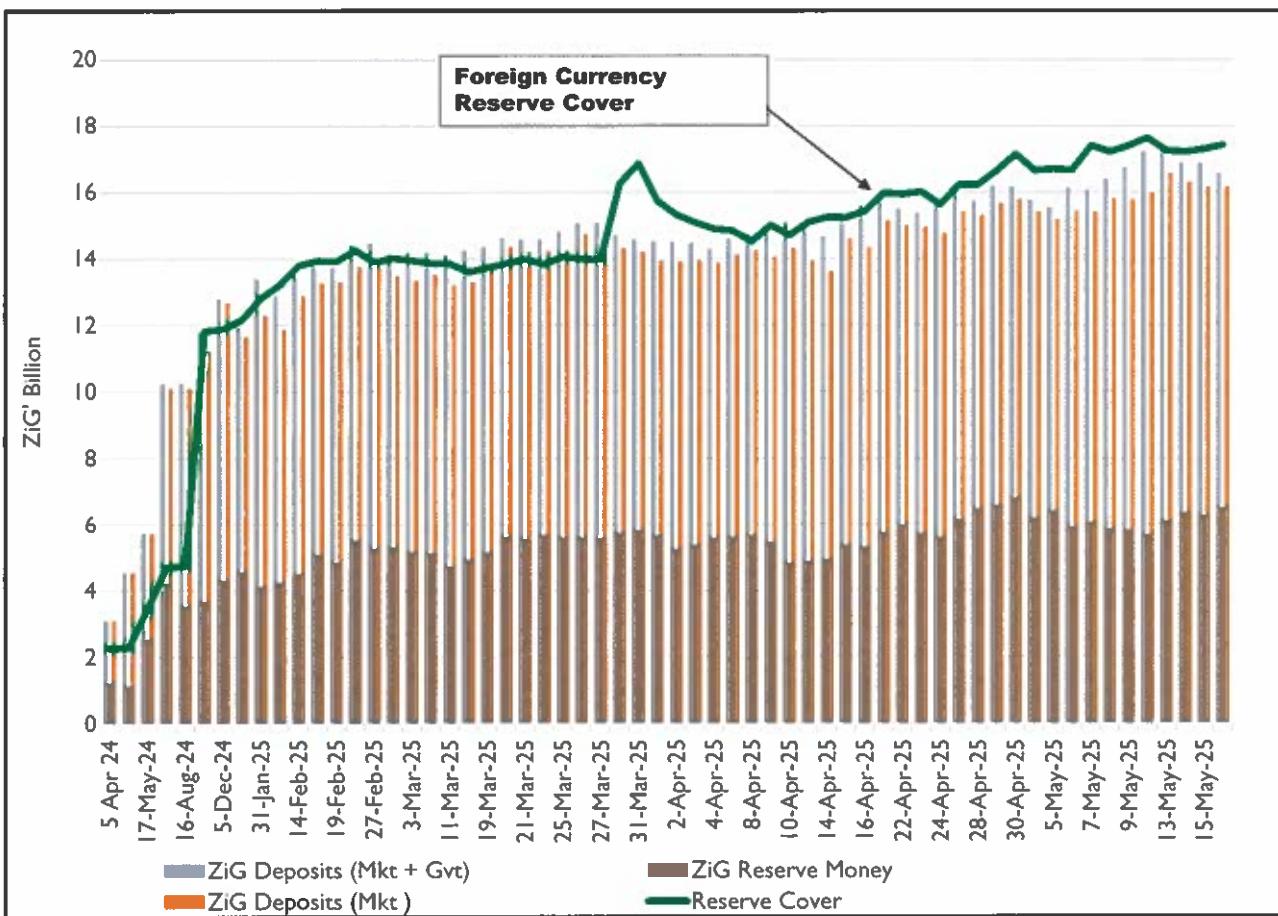
## CURRENT ACCOUNT BALANCE



- CA balance widens to a surplus of US\$501.2 million in 2024 from US\$133.9 million in 2023.
  - Mineral exports
    - Gold exports increased
  - Strong remittance flows
    - increase by 19% to US\$2,554.1 million in 2024 from US\$2,162.4 million in 2023+
- In 2025, the CAB expected to improve further to above US\$600 million.



## ADEQUATE FOREIGN RESERVE COVER FOR THE ZiG



- The Reserve Bank is pursuing a robust foreign reserve accumulation strategy to support medium-term currency stability.
- Foreign currency reserves adequately cover the total ZiG reserve money and also the entire ZiG deposit base in the banking sector.



## INTERBANK FX MARKET (WBWS) LIBERALIZATION

- The Reserve Bank has streamlined and consolidated the FX market operations regulations.
  - Banks are free to determine their exchange rates in the interbank market as well as in transactions with their clients;
  - All willing sellers of FX are free to set the price for their FX;
  - No more restrictions on the pricing of goods and services
  - Investors are also free to bring money and take it out as dividends and profits, with no restrictions
  - Equity injections by investors are ring-fenced in FCA (Investment) accounts to facilitate the importation of capital equipment and to meet other external obligations, and are not subject to statutory surrender requirements.

## USE AND AVAILABILITY OF THE LOCAL CURRENCY

- Sustained demand for local currency is critical to support wider use of the local currency in the economy.
- Government and RBZ are putting initiatives to increase the use of the local currency:
  - Government increased the proportion of taxes paid in ZiG to increase demand for the local currency.
  - Initiatives, including the rolling out of the Point-of-Sale Machine (POS)
- Use of the local currency in transactions has increased from 26% in April 2024 to above 36% as of April 2025.
- Foreign currency surrender requirements have largely been aligned with the increased transactional use of ZiG



## FINANCIAL STABILITY

- The Zimbabwean Banking Sector remains safe, sound and stable and continues to contribute to strong investment and economic growth.
- The Banking sector has been well capitalised and profitable, fostering strong resilience critical to support investment.
- This has increased confidence in our banking system, shown by a steady rise in FCA deposits reaching above USD2.5 billion.
- Non-performing loans have been below 5% and stood at 3.34% as at the end of March 2025.
- The Reserve Bank has offered a supportive regulatory environment for FinTechs



## NATIONAL PAYMENTS SYSTEM

- The payment system services sector has been stable and safe, with steady transaction growth indicating a healthy financial environment.
- The RTGS system was upgraded in November 2024, to ensure compliance with ISO (International Organization for Standardization) 20022 standards.
- Financial institutions, customers and investors ultimately benefit from the enhanced efficiency, security, and effectiveness of the system.
- Zimbabwe has managed to effectively combat money laundering and counter the financing of terrorism, ensuring a safe payment system.



## ECONOMIC AND INFLATION OUTLOOK

- Global economic growth projections have been reviewed downwards in 2025 and 2026 from the original forecast of 3.3% to 2.8% in 2025 and 3.3% to 3% in 2026.
- Consistent with a slower growth outlook, global headline inflation will decline by 4.3% in 2025 and 3.6% in 2026.
- International commodity prices are forecast to remain subdued and falling, except for gold, which may remain elevated on account of uncertainties due to geopolitical tensions and trade tensions.
- The external sector faces downside risks: reductions in development partner support, global policy shifts, and subdued prices for certain minerals. The Bank's reserve accumulation strategy and continued resilience in remittances are expected to provide buffers against these risks
- The Zimbabwean economy is projected to grow by 6% in 2025, largely driven by agriculture (21.1%) and mining (2.9%), among other key sectors.



## ECONOMIC AND INFLATION OUTLOOK – (cont'd)

- The Reserve Bank is strongly committed to the implementation of the monetary policy measures to create a track record of sound monetary policy performance, critical for fostering Central Bank policy credibility.
- The monetary policy measures are expected to anchor inflation and exchange rate expectations and support the envisaged projected economic growth of 6% in 2025 and a medium-term growth rate of above 5%.
- Inflation expectations are expected to become more anchored with month-on-month inflation projected to average below 3% in 2025, consistent with exchange rate stability.
- In the medium term, inflation expectations are expected to be durably anchored and annual inflation to fall to a single digit in line with SADC convergence criteria.



## KEY TAKEAWAYS

- The Reserve Bank's robust monetary policy measures—including optimal money supply management and enhanced coordination with fiscal policy—have helped stabilize both inflation and the exchange rate, creating a more predictable environment for investment.
- Foreign currency inflows, especially from mineral exports and international remittances, have continued to rise, providing critical support for the current account surplus, foreign reserve accumulation, and overall economic stability.
- A stable banking and payments system will continue to support strong investment in the economy
- Banking sector remains well-capitalized, profitable, and stable, with non-performing loans below 5% and a supportive regulatory environment for innovation and fintech, which has fostered growing confidence and increased deposit
- Overall, the outlook for 2025 is bright, with inflation expectations becoming more anchored, month-on-month inflation projected to remain below 3%, and annual inflation expected to fall to single digits in line with SADC convergence criteria, all underpinned by sound monetary policy and a stable payments system.

*THANK YOU*

